

Exhibit I

Mukesh Bajaj

February 7, 2013

New York, NY

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1

2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF NEW YORK

4 -----x

5 SECURITIES AND EXCHANGE COMMISSION,

6 Plaintiff,

7 vs.

8 FABRICE TOURRE,

9 Defendant.

10 10-CV-3229 (BSJ) (MHD)

11 -----x

12

13 VIDEOTAPED DEPOSITION OF MUKESH BAJAJ

14 Thursday, February 7, 2013

15 9:00 a.m.

16 New York, New York

17

18 Videotaped deposition of MUKESH BAJAJ,

19 at the offices of Allen & Overy, LLP, 1221 Avenue

20 of the Americas, New York, New York, before

21 Christina Diaz, a Certified Realtime and Registered

22 Merit Reporter and Notary Public within and for the

23 State of New York.

24

25 REPORTED BY:

Christina Diaz, CRR, RMR, CSR, CLR

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2 fraction of my time on matters where CDOs and other
3 similar instruments are at issue.

4 Q. So my question was, what if any training
5 do you have in CDOs?

6 A. When I work on an issue and learn about
7 an issue, that constitutes training in my mind.
8 And that's why I answered the question the way I
9 did. Of course, I also told you about my training
10 as a financial economist.

11 Q. Do you have any formal training in CDOs?

12 A. I don't know what you mean by "formal
13 training."

14 Do you mean there is a degree program
15 that teaches about CDOs exclusively or something
16 like that?

17 Q. Have you taken any classes on CDOs?

18 A. No. I have taught about CDOs in my
19 classes.

20 Q. What classes have you taught about CDOs?

21 A. In my financial engineering classes I
22 have discussed mortgage securitization, CDOs and
23 other credit derivatives and instruments.

24 And since 2007, every time I have taught
25 the securities design course at Haas, I have asked

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2 students to independently research and make a
3 presentation in the class on the credit crisis and
4 discuss various instruments in connection with the
5 credit crisis, including CDOs.

6 Q. How much of those classes is devoted to
7 the topic of CDOs?

8 A. It varies, but -- and I change case
9 materials from year to year. And even when we are
10 talking about a certain topic in the class, there
11 is usually a discussion that is broader than that.
12 So I don't know that I can quantify for you exactly
13 what fraction of the time was spent talking about
14 mortgage markets generally or CDOs in particular.

15 Q. How many times have you taught the
16 classes that touch on CDOs?

17 A. As I said, since the credit crisis
18 started erupting in 2007, every time I have taught
19 the securities design course and financial
20 engineering, we have discussed various
21 mortgage-backed instruments in the class.

22 Q. How many times have you taught those
23 classes?

24 A. Well, I teach only once a year. I
25 taught two classes in 2011, and I did not teach in

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2 2012. So that would be 2007, '08, '09, '10, '11.

3 So six classes.

4 But the class in the MFE program would
5 have been five times.

6 Q. So does that mean you have taught eleven
7 classes on that topic -- that have touched on that
8 topic?

9 A. I thought I told you five or six
10 courses, so I don't know what you mean by eleven
11 classes.

12 Q. How many times -- how many classes have
13 you conducted where the topic of CDOs has been a
14 topic of discussion?

15 A. So I have discussed the topic of CDOs in
16 my course at least five times; namely, five times
17 that I have taught the course. Within each course,
18 I can't tell you how many times exactly I have
19 discussed the topic of CDOs.

20 Q. Which five courses are those?

21 A. I have taught the Securities Design
22 Course five times since 2007. And each time I have
23 discussed the topic of mortgage market securities
24 including CDOs.

25 Q. Do you have a syllabus for that class?

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2 when you asked me if any of those matters pertain
3 to CDOs, I want to clarify that if Goldman Sachs is
4 part of the joint defense group, and in that manner
5 it is involved in some matter, I don't recall any
6 such detail. But with that qualification, the
7 answer to your most recent question is also no.

8 Q. When you say going back to your previous
9 answer, what previous answer are you referring to?
10 The immediately previous question?

11 A. Yes. When you asked me whether in any
12 matters involving CDOs I have provided any expert
13 services to Goldman.

14 Q. Other than this matter, are you
15 providing any expert services with regard to the
16 Abacus 2007-AC1 transaction?

17 A. No.

18 Q. Have you ever provided any services to
19 Paulson & Company?

20 A. No.

21 Q. What percentage of your income
22 approximately is derived from teaching as opposed
23 to the provision of expert services?

24 A. Virtually none. There are occasions
25 when I either give back or not accept compensation

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2 for my teaching, so I get no income from my
3 teaching.

4 Q. Prior to the financial crisis, had you
5 done any work with regard to CDOs?

6 A. I don't recall providing any consulting
7 services with regards to CDOs prior to 2007.

8 Q. Prior to 2007, had you done any teaching
9 with regard to CDOs?

10 A. I don't recall whether or not I
11 discussed mortgage-related securitizations as part
12 of one of my classes, but I don't think I focused
13 on CDOs.

14 Q. Prior to 2007, did you have any training
15 with regard to CDOs?

16 A. As I said, I'm trained as a financial
17 economist. I have a Ph.D. in finance. So I
18 obviously had training with regards to financial
19 economics, capital markets, valuation of various
20 complex securities. So in that sense, yes.

21 Q. But specifically with regard to CDOs,
22 prior to 2007 did you have any training about CDOs
23 specifically?

24 A. Not that I can recall.

25 Q. Prior to 2007, had you done any research

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2 Q. We will come back to that one.

3 In your exhibits that are labeled 10 to
4 Exhibit 1 --

5 A. Okay.

6 Q. -- beginning with 10 A, do you know what
7 the average FICO score in the reference portfolio
8 underlying Abacus was?

9 A. I can't tell by looking at this chart or
10 from memory. I know we have compared the averages
11 and they were very similar for Abacus as well as
12 comparable portfolios.

13 Q. Setting aside their similarity, do you
14 know whether the average FICO score for the Abacus
15 portfolio was higher or lower than the FICO score
16 for your sample portfolio?

17 A. I do know, regardless of which way the
18 two numbers went, they were not meaningfully
19 different; but I don't recall from memory what they
20 were.

21 Q. When you say "meaningfully different,"
22 are you saying there was not a statistically
23 significant difference?

24 A. Or any material economic difference,
25 given my understanding of the sensitivity of FICO

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2 scores -- the sensitivity of ultimate delinquency
3 based on FICO scores, and given the fact that
4 distribution of FICO scores tends to be negatively
5 correlated with distribution on, for example,
6 loan-to-value.

7 In other words --

8 Q. I'm not asking about materially economic
9 difference. I'm asking, was there a statistically
10 significant difference?

11 A. There wasn't a statistically significant
12 difference.

13 Q. Turning to 10 B, debt-to-income ratio.
14 Do you know whether the average debt-to-income
15 ratio for the Abacus portfolio was higher or lower
16 than the average debt-to-income ratio for the
17 sample portfolio?

18 A. Again, I don't recall the average
19 numbers. I know they were very similar.

20 Q. Was there a statistically significant
21 difference between the two?

22 A. I don't believe so.

23 Q. Exhibit 10 C, do you know what the
24 average combined loan-to-value ratio for the Abacus
25 portfolio was as compared to the average

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2 out on deals that should have been part of that
3 set, but he missed out on.

4 So when we include them back in his set,
5 that would be the correct set of comparables given
6 his selection criteria. And that's the set you get
7 in the last step.

8 Q. So you believe that number 5 is the set
9 that Mr. Davidson should have used in calculating
10 his set as he defined it?

11 A. Yes.

12 Q. And the mean percentage of cumulative
13 loss for that set is 27.05 percent; is that
14 correct?

15 A. That is correct.

16 Q. Do you know what the standard deviation
17 is on the set number 5?

18 A. No.

19 Q. Did you calculate that?

20 A. No.

21 Q. Do you know how many standard deviations
22 28.49 is from 27.05?

23 A. No. I do not know because I did not
24 calculate the standard deviation, and that would be
25 a meaningless calculation in any way.

C E R T I F I C A T E

STATE OF NEW YORK)

) ss.

COUNTY OF NEW YORK)

I, Christina Diaz, a Certified Realtime and Registered Merit Reporter and Notary Public within and for the State of New York, do hereby certify:

That MUKESH BAJAJ, the witness whose deposition is hereinbefore set forth, was duly sworn by me and that such deposition is a true record of the testimony given by such witness.

I further certify that I am not related to any of the parties to this action by blood or marriage and that I am in no way interested in the outcome of this matter.



CHRISTINA DIAZ, CRR, RMR, CSR, CLR

DEPOSITION OF: Dr. Mukesh Bajaj (February 7, 2013)

CASE: *SEC v. Fabrice Tourre***ERRATA SHEET**

<u>PAGE / LINE</u>	<u>CHANGE</u>	<u>REASON</u>
23:8	Change "\$15 billion" to "\$12 billion"	Correction
23:9	Change "seven" to "five"	Correction
32:9	Change "seven" to "five"	Correction
34:13	Change "concern" to "concerned"	Transcription error
35:22	Insert "a" between "of" and "financial"	Missing word
45:6	Remove quotes from "with"; the portion in quotes should read "like CDOs themselves"	Transcription error
118:6	Change "would be likely" to "would likely be"	Transcription error
151:4, 151:7	Change "AC" to "ACA"	Typographical error
151:21	Change "created" to "cited"	Transcription error
164:14	Insert "not" between "It's" and "one"	Missing word
193:2	Insert "and" between "on" and "on"	Missing word
195:8	Change "compensation" to "composition"	Opposing counsel misquotes Bajaj Report, dated December 20, 2012
211:21	Change "Natalie" to "Nathalie"	Typographical error
211:23	Change "Mr." to "Ms."	Correction
249:4-5	Change "I had looked at both just for economy sake. I didn't produce even more charts." to "I had looked at both. Just for economy sake, I didn't produce even more charts."	Transcription error
259:8, 259:16-17, 259:22, 261:3	Change "risk model" to "RiskModel"	Transcription error
301:4	Insert after "Twice." the text "Upon checking subsequent to the deposition, I discovered that one of the two matters I had in mind concerned CDOs, while the second matter concerned hedge fund transfer pricing and rebalancing."	Clarification/Correction

DEPOSITION OF: Dr. Mukesh Bajaj (February 7, 2013)

CASE: *SEC v. Fabrice Tourre*

301:19	Insert "do" between "instructed to" and "so"	Missing word
301:19	Insert "and" between "so" and "I'm"	Missing word
305:24	Insert "separately" after "standard deviation"	Clarification/Correction

CERTIFICATION

Under penalty of perjury, I declare that I have read the foregoing transcript of my deposition and except for any corrections or changes noted above, I hereby subscribe to the transcript as an accurate record of the statements made by me.

Dated: March 13, 2013


Mukesh Bajaj, Ph.D.